

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 03 ANKARA 009166

SIPDIS

STATE FOR E, EB/CBED, EB/ESC, EUR/SE  
STATE PASS NSC FOR QUANRUD AND BRYZA  
USDOC FOR 4212/ITA/MAC/OEURA/CPD/DDEFALCO  
USDOE FOR PUMPHREY/ROSSI

E.O. 12958: DECL: 12/20/2012  
TAGS: [ENRG](#) [ECON](#) [EPET](#) [AJ](#) [GG](#) [KZ](#) [TU](#)  
SUBJECT: AMB. MANN'S VISIT TO TURKEY

REF: A) ANKARA 8986 B) ATHENS 4043 C) ANKARA 6187

Classified by Econ Couns Scot Marciel, Reason 1.5 (b,d)

11. (C) Summary: AK party officials, including Energy Minister Guler and three newly-elected parliamentarians, confirmed their support for the BTC and Shah Deniz projects to EB/CBED Ambassador Mann in his December 18-20 visit to Ankara. Mann reviewed U.S. energy policy in the Caspian, noting that U.S.-Turkish cooperation had been key to the success of this policy and would be critical in the coming months. Focusing on Shah Deniz in the run-up to February sanction, Mann suggested that the U.S. and Turkey needed to 1) press Azerbaijan to do its part of the work as soon as possible; and 2) press BP to fulfill its commitments, while reassuring BP about the commercial conditions of the project. Mann briefed the GOT on his recent meetings in Athens (ref b), and agreed to relay a GOT proposal on price to the Greeks. BP gas executives told Mann they were still concerned about oversupply in the Turkish market. Mann emphasized that, when assessing the economics of Shah Deniz, BP must take into account the effect that failure to follow through on the project would have on BP's other upstream interests in Azerbaijan, and that BP CEO Lord Browne had invested his personal credibility in supporting this project. End summary.

Minister Supports BTC/Shah Deniz, Mann Outlines Next Steps  
-----

12. (U) New Energy Minister Guler emphasized to Ambassador Mann and Ambassador Pearson in their December 19 meeting that, personally and as a cabinet member, he was very supportive of the BTC and Shah Deniz pipelines. He assured us several times that he and the AK government would "do their part" to ensure success of these projects. Noting that he appreciated the key role the U.S. had played on East-West energy corridor issues, Guler stressed that he looked forward to continued close cooperation with the U.S.

13. (C) Mann reviewed U.S. policy in the Caspian, noting that the East-West Energy Corridor was important in economic, environmental, and energy terms, as well as strategically. The BTC and Shah Deniz pipelines would fundamentally shift the geo-strategic balance in the region, breaking the Caucasus' dependence on Russia for energy resources and energy transport. Mann noted that U.S.-Turkish cooperation had been key to the success of BTC and Shah Deniz to date, and would be critical in the coming months.

14. (C) On BTC, Mann emphasized that we had reached a critical period in the construction phase. He urged Guler to help ensure that BOTAS was able to carry out its operational responsibilities. On Shah Deniz, Mann stressed that there was much work to be done in the run-up to February 2003 sanction. He suggested that the U.S. and Turkey needed to 1) press Azerbaijan to do its part of the work as soon as possible; and 2) press BP to fulfill its commitments, while reassuring BP that the commercial conditions were sufficiently attractive for the company to go ahead with the project. Mann noted that over the last month he had engaged the Azeri government and BP officials on Shah Deniz, and he urged Guler to do the same. Mann suggested it would be a powerfully symbolic step if Minister Guler traveled to Baku for his first foreign visit. Guler responded that he likely would be accompanying AK Party Leader Erdogan to Russia the following week, but he would seriously consider a separate or adjoining visit to Azerbaijan.

15. (U) Guler also noted that the GOT would be engaging the World Bank again on the issue of TPAO financing and the negative pledge clause (ref c). He said he appreciated U.S.

engagement on the negative pledge clause in the past and would value our continued support with the World Bank. Mann responded that he would look into this issue upon his return to Washington.

#### GOT Request for Help on Shah Deniz, Exports to Europe

-----

16. (C) During the meeting with Energy Minister Guler, Energy Undersecretary Yigitguden noted that the GOT had made good progress on establishing a gas connection with Europe. He had just returned from Brussels, where he had had a good meeting with the European Commissioner, who said he wanted to announce 2003 as the "Year of Connectors." However, Yigitguden said, continued postponement of Shah Deniz sanction was creating problems for the GOT in its efforts with the Europeans. For example, BOTAS had stopped its gas negotiations with Greece because of uncertainty about Shah Deniz. BOTAS was unable to commit to the lower price needed by the Greeks without knowing whether Shah Deniz gas would be part of the picture. Yigitguden suggested that BOTAS could propose to DEPA a multi-staged pricing structure whereby the average price was lower than what DEPA was paying for Russian gas.

17. (C) Yigitguden requested Mann's help in 1) encouraging the investors to sanction Shah Deniz as soon as possible; and 2) supporting their efforts with the Greeks. Mann responded that his meeting in Athens the previous month had been very positive; the Greeks were very enthusiastic about bringing Caspian gas into Greece (ref b). Mann said he did not want to interfere in the negotiations between DEPA and BOTAS, but he would bring Yigitguden's proposal back to the Greeks and encourage them to be flexible.

18. (C) MFA Deputy U/S for Economic Affairs Kilic also raised Shah Deniz with Ambassador Mann. Kilic said that in an October meeting with President Aliyev in Istanbul, President Sezer had focused on Shah Deniz. Sezer told Aliyev that the GOT believed SOCAR was impeding progress on the project, and was extremely displeased at the delays. Sezer asked for -- and received -- Aliyev's personal intervention with SOCAR to ensure the success of Shah Deniz. Ambassador Mann reiterated that the U.S. and Turkey needed to 1) press Azerbaijan to do its part of the work as soon as possible; and 2) press BP to fulfill its commitments, and provide the company reassurances about the Turkish market. Kilic noted that the GOT believed -- even if Turkey only exported to Greece -- it could consume all of the gas for which it had contracts. (Note: BOTAS GM Bildaci told econoff December 19 that, unless there was a significant change in other supply contracts or Turkey's gas consumption, it would be difficult to convince BP that Turkey could consume Shah Deniz gas when it came on line in 2006).

19. (C) Mann and Kilic agreed to talk and assess next steps on Shah Deniz and exports to Europe after January 6, when Ambassador Mann would be discussing these issues with relevant U.S. Ambassadors at a regional Chiefs of Mission conference in Washington.

#### AK Parliamentarians Support East-West Energy Corridor

-----

110. (C) Over lunch December 19 with newly-elected AK Party Parliamentarians Reha Denemec, Husnu Ordu, and Afif Demirkiran, Mann reiterated U.S. policy in the Caspian and again urged continued U.S.-Turkish cooperation. All three parliamentarians were engaged, supportive, and well-informed. Demirkiran noted that he did not anticipate any change in GOT policy on either BTC or Shah Deniz.

#### BP Still has Commercial Concerns on Shah Deniz

-----

111. (C) Alistair Ferguson, Business Unit Leader for the Middle East and Mediterranean for BP Gas and Power, reviewed for Ambassador Mann on December 18 his unit's commercial view of Shah Deniz, including their continued concerns about oversupply in the Turkish market (ref a). Ferguson said he believed the GOT had the political desire to follow through on Shah Deniz, but there was no commercial underpinning. He noted that there were several steps the GOT could take to help reassure BP that Turkey would take Shah Deniz gas at the take-or-pay level; for example, establishment of an entry/exit hybrid transit tariff and some type of political protocol, whereby Turkish, Georgian, and Azeri leaders reaffirmed their commitment to the project.

¶12. (C) Ambassador Mann responded that Turkish officials had stressed to him that they were managing the gas market issues in Turkey. Mann emphasized that when BP was assessing the economics of the Shah Deniz project, it must take into account two key issues: First, the effect that failure to follow through on Shah Deniz would have on BP's other upstream interests in Azerbaijan. Mann noted that Shah Deniz and BTC were inextricably linked in President Aliyev's mind. Second, BP must take into account that BP CEO Lord Browne had invested his personal credibility in supporting this project.

¶13. (U) Ambassador Mann did not have an opportunity to clear this cable.  
PEARSON